MASSPIRG

Mass Energy

November 20, 2000

Mary Cottrell, Secretary

Department of Telecommunications and Energy

One South Station

Boston, MA 02110

RE: Comments of MASSPIRG and Mass Energy on utility requests to increase price of Standard Offer (DTE 00-66, Fitchburg G&E; DTE 00-67, Massachusetts Electric; DTE 00-70, NStar companies)

Dear Secretary Cottrell:

MASSPIRG and Mass Energy would like to go on record in opposition to the standard offer price increases proposed by most of the state's electric utilities until and unless the department has exhausted all options within its authority and discretion to avoid violating the rate guarantees in M.G. L. Chapter 164. Furthermore, absolutely no increase in the regulated generation price should be allowed unless the department is certain that it represents the only the true cost of fuel increases.

I) Full Scrutiny of Fuel Cost Claims is Warranted

The department has not given the requests sufficient scrutiny to determine whether the increases in generation costs are solely the result of increases in fuel costs rather than a combination of fuel costs and market conditions and/or irregularities whose costs should not be borne by the ratepayers. Nor has it allowed parties representing affected consumers sufficient scrutiny of the utilities cost claims.

Without full proceedings on this matter it is impossible to determine the extent to which the rate requests represent <u>only</u> the cost of fuel price increases.

II) The Department Must Exercise Its Authority to Drive Down Utility Costs Before Approving Any Rate Increases Which Violate the Guaranteed 15% Rate Cut

The Department has an absolute obligation under Section 1G(c)(4) of the restructuring act to:

explore any and all possible mechanisms and options within the limits of the constitution which may be available to the department to achieve compliance ... [and] consider ... proposals submitted by other parties, including but not limited to the office of the attorney general, outlining means and mechanisms by which a company could further mitigate its assets in order to comply with said rate reduction of 15 per cent.

It has simply failed to undertake this obligation. It would be unconscionable, and an affront to the "public interest standard", for the department to allow this increase without having aggressively pursued options for reducing transition costs.

III) Past Actions by the Department Undermine the Promise of Lower Rates and Competition and Should be Revisited

The department's approval of past costs, such as the hundreds of millions of dollars in merger-related acquisition premiums, has severely undermined the department's ability to keep rates down. What is worse is that it has exacerbated the current situation in which we are forced to choose between competition and lower prices. Deregulation was intended to provide lower rates and choice not, choice through higher rates. While we are sympathetic to the assertions of those who say that competitive markets, particularly renewables and energy efficiency, need the right price signals, we do not believe it should be on the backs of ratepayers, especially when utilities are seeking and securing such unparalleled costs in rates.

We are unaware of any utility regulator in any state that has allowed utilities such generous recovery of merger-related costs and urge the department to reconsider its approval of merger-related costs in rates.

Sincerely,

Rob Sargent, Senior Advocate

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